

DEPARTMENT OF REVENUE



NAICS PROCEDURES

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Chapter One – NAICS Overview

1.1 - What is NAICS?

NAICS stands for North American Industry Classification System. Due to rapid changes in the U.S. and world economies, the U.S. Standard Industrial Classification system (SIC) was found obsolete and replaced by NAICS in 1997 and is what is used today. It is a numerical code that classifies all types of business industries and activities. It is used for the collection and analysis of economic statistics of the U.S. NAICS is evaluated every five years for possible modifications so that the classification system can keep pace with the rapid changing economy. It is updated in the years ending in '2' and '7', so the next update will occur next year in 2007. You will be using both coding systems and it is important to label each kind of business activity efficiently.

Each industry or business is identified by a 6-digit numerical NAICS code and a corresponding 4-digit SIC code. The longer code accounts for the growing number of new industries emerging in today's business economy.

1.2 - Why is the Correct NAICS Code So Important?

It is very crucial that the correct NAICS code is chosen. The Department of Revenue uses the NAICS code for several legislative issues. For example, the code can be used to determine the fiscal impact a certain tax change may have on an industry. Additionally, the Department of Revenue uses the code to inform taxpayers within a certain industry of law changes that may affect them. The NAICS code is also used to help the Department of Revenue in auditing purposes by comparing ratios of companies in a similar industry. If a company is significantly different then it can be singled out for further inspection.

1.3 - NAICS Coding Structure

1.3.1 - Industry Hierarchy

The NAICS code is divided into 5 subsections or levels, each more detailed than the last.

XX	Industry Section or Level
XXX	Industry Subsection or Sublevel
XXXX	Industry Group
XXXXX	Industry
XXXXXX	Nation Specific

Figure 1.1 - The Industry Hierarchy

Index entry	NAICS Code		2002 U.S. NAICS Title
	2002	1997	
445	445		Food and Beverage Stores
4451	4451		Grocery Stores
44511	44511		Supermarkets and Other Grocery (except Convenience) Stores
445110	445110		Supermarkets and Other Grocery (except Convenience) Stores

Figure 1.2 - Example of Industry Hierarchy

1.3.2 - NAICS Correspondence Table

The NAICS Correspondence Table is comprised of the 20 basic industry sections in the U.S. economy:

Industry Code	NAICS Sectors
11	Agriculture, Forestry, Fishing and Hunting
21	Mining
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Education Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

Figure 1.3 – The NAICS Correspondence Table

Chapter Two - Tools Used to Identify the Correct NAICS Code

There are several tools which can be used to determine the correct NAICS code. These range from a variety of items including manuals, printouts, websites, search engines, correspondence tables, a thesaurus and a dictionary.

The NAICS website contains an in-depth description of NAICS codes, along with links to all of their resources. This website can be found at the following link:

<http://www.census.gov/epcd/www/naics.html>

The NAICS search engine is used to query for certain codes and contains a detailed chart of all NAICS codes broken down into subsections. The detailed chart can be used to search for NAICS codes, by filtering through each level. The NAICS search engine can be found at the following link:

<http://www.census.gov/epcd/naics02/naicod02.htm>

A correspondence table like the one found on page 4 of this manual can be found at the following link:

<http://www.census.gov/epcd/naics02/N02TOS87.HTM>

A thesaurus and dictionary can be very useful when searching for codes. These come into play when the business description that is provided is less than explanatory. On-line versions can be found at the following links.

<http://www.dictionary.com>

<http://www.thesaurus.com>

2.1 - NAICS Search Engine

The NAICS search engine of the U.S. Census Bureau contains much valuable information. After a query is made the results displayed include both the 2002 and 1997 NAICS codes, SIC codes, NAICS definitions and cross references.

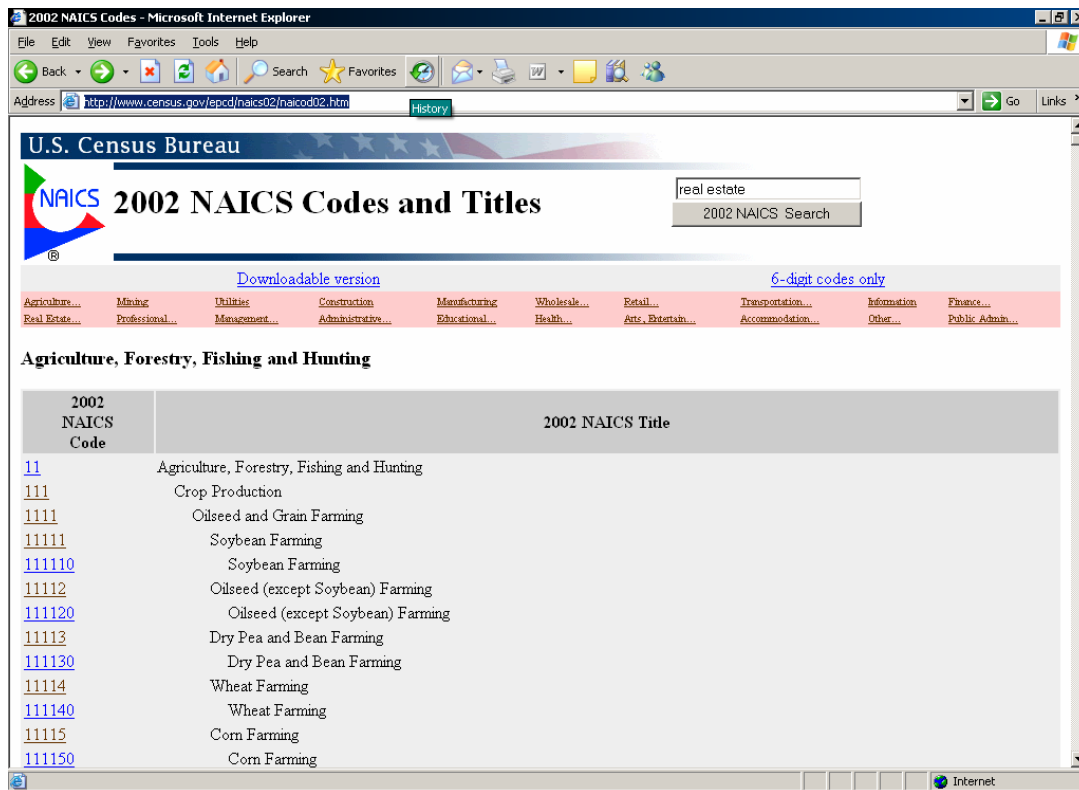


Figure 2.1 – Sample NAICS Website Page

When formulating a query, what is entered as search criteria is very important. Be as specific as you can. In the event that no results are found, use a broad or general term for the business description to yield some results. This is where a thesaurus or dictionary comes in handy. Sometimes it is a good idea to try different queries to find a certain code. In the following example we are searching the website for the NAICS code of someone who rents or leases an apartment. Run the search on “real estate”, then on “apartment” and see the results.

NAICS - Microsoft Internet Explorer

Address: <http://www.census.gov/cgi-bin/epcd/srchnaics02defs>

Real estate consultants (except agents, appraisers) offices	531390	Other Activities Related to Real Estate
Real estate credit lending	522292	Real Estate Credit
Real estate escrow agencies	531390	Other Activities Related to Real Estate
Real estate escrow agents' offices	531390	Other Activities Related to Real Estate
Real estate fiduciaries' offices	531390	Other Activities Related to Real Estate
Real estate investment trusts (REITs)	525930	Real Estate Investment Trusts
Real estate law offices	541110	Offices of Lawyers
Real estate listing services	531390	Other Activities Related to Real Estate
Real estate mortgage investment conduits (REMICs)	525990	Other Financial Vehicles
Real estate mortgage investment conduits (REMICs) issuing, private	522294	Secondary Market Financing
Real Estate Property Managers	53131	Real Estate Property Managers
Real estate property managers' offices, commercial	531312	Nonresidential Property Managers
Real estate property managers' offices, residential	531311	Residential Property Managers
Real estate rental or leasing of miniwarehouses and self-storage units	531130	Lessors of Miniwarehouses and Self-Storage Units
Real estate rental or leasing of nonresidential building (except miniwarehouse)	531120	Lessors of Nonresidential Buildings (except Miniwarehouses)
Real estate rental or leasing of residential building	531110	Lessors of Residential Buildings and Dwellings
Real estate schools	611519	Other Technical and Trade Schools
Real estate title insurance carriers, direct	524127	Direct Title Insurance Carriers

Try another keyword search: NAICS SEARCH

Census Bureau Links: [Home](#) • [Search](#) • [Subjects A-Z](#) • [FAQs](#) • [Data Tools](#) • [Catalog](#) • [Census 2000](#) • [Quality](#) • [Privacy Policy](#) • [Contact Us](#)

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Figure 2.2 – Search Results Using “Real Estate”

NAICS - Microsoft Internet Explorer

Address: <http://www.census.gov/cgi-bin/epcd/srchnaics02defs>

Results for "apartment"

Index entry	NAICS Code		2002 U.S. NAICS Title
	2002	1997	
Apartment building construction general contractors	236116	233220	New Multifamily Housing Construction (except Operative Builders)
Apartment building operative builders	236117	233220	New Housing Operative Builders
Apartment building rental or leasing	531110		Lessors of Residential Buildings and Dwellings
Apartment hotel rental or leasing	531110		Lessors of Residential Buildings and Dwellings
Apartment managers' offices	531311		Residential Property Managers
Apartment rental or leasing	531110		Lessors of Residential Buildings and Dwellings

Try another keyword search: NAICS SEARCH

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Figure 2.3 - Search Results Using “Apartment”

Figure 2.2 and 2.3 show how different search criteria can yield the same NAICS code. In Figure 2.2 a search was done on “**real estate**” and in Figure 2.3 a search was done on “**apartment**”. Both display the correct code 531110 - Lessors of Residential Buildings and Dwellings.

To make sure you have the proper code, click on the code link and read the NAICS definition, read the cross references and if necessary look up the codes of the cross references.

U.S. Census Bureau

2002 NAICS Definitions

531110 Lessors of Residential Buildings and Dwellings

This industry comprises establishments primarily engaged in acting as lessors of buildings used as residences or dwellings, such as single-family homes, apartment buildings, and town homes. Included in this industry are owner-lessors and establishments renting real estate and then acting as lessors in subleasing it to others. The establishments in this industry may manage the property themselves or have another establishment manage it for them.

Cross-References. Establishments primarily engaged in managing residential real estate for others are classified in U.S. [Industry 531311](#), Residential Property Managers.

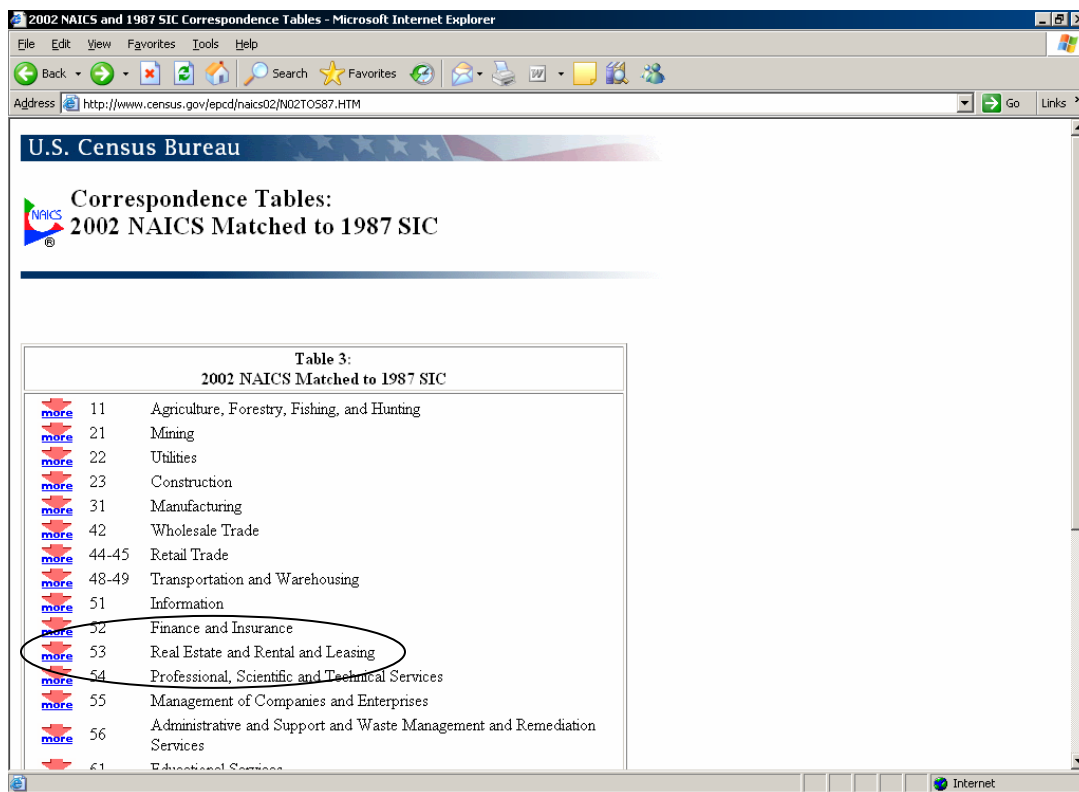
Go to: [No change 1997 to 2002](#) | [2002 NAICS to 1987 SIC](#) | [1997 Economic Census](#) | [Bridge Between 1997 NAICS and SIC](#)

2002 NAICS	1997 NAICS	1987 SIC	Corresponding Index Entries
531110	531110	6513	Apartment building rental or leasing
531110	531110	6513	Apartment hotel rental or leasing
531110	531110	6513	Apartment rental or leasing
531110	531110	6513	Building, apartment, rental or leasing
531110	531110	6513	Building, residential, rental or leasing
531110	531110	6514	Cottage rental or leasing
531110	531110	6514	Duplex houses (i.e., single family) rental or leasing
531110	531110	6514	Dwelling rental or leasing

Figure 2.4 – Verification using the NAICS Code Definitions

2.2 - Searching With the Correspondence Table

Below is a sample page from the NAICS correspondence table. It can also be used to search for NAICS codes. The table begins at the industry level and you can requested more detailed information until the desired code for a business activity is found.



U.S. Census Bureau

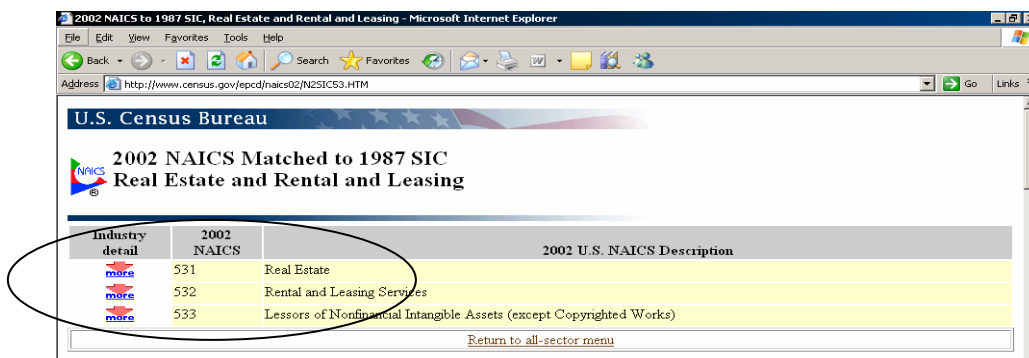
Correspondence Tables:
2002 NAICS Matched to 1987 SIC

Table 3:
2002 NAICS Matched to 1987 SIC

more	11	Agriculture, Forestry, Fishing, and Hunting
more	21	Mining
more	22	Utilities
more	23	Construction
more	31	Manufacturing
more	42	Wholesale Trade
more	44-45	Retail Trade
more	48-49	Transportation and Warehousing
more	51	Information
more	52	Finance and Insurance
more	53	Real Estate and Rental and Leasing
more	54	Professional, Scientific and Technical Services
more	55	Management of Companies and Enterprises
more	56	Administrative and Support and Waste Management and Remediation Services
more	61	Educational Services

Figure 2.5 - NAICS Correspondence Table

Using the previous search example, find the code for a business that rents or leases an apartment using the NAICS Correspondence Table. Read through the 20 industry sections and select the proper category. In this case it is “Real Estate” and “Rental and Leasing”. Click on the “more” button to the left of the description. Now the table has moved down to the industry subsection level. In this example there are three different subsections. Click the “more” button again to continue traversing through the table.



U.S. Census Bureau

2002 NAICS Matched to 1987 SIC
Real Estate and Rental and Leasing

Industry detail	2002 NAICS	2002 U.S. NAICS Description
more	531	Real Estate
more	532	Rental and Leasing Services
more	533	Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)

[Return to all-sector menu](#)

Figure 2.6 - The next step through the table.

After searching through three steps, the appropriate NAICS code has been found. Using either the search engine or correspondence table method for searching NAICS codes is fine. However, it is recommended that both of methods be used to increase your accuracy of finding the correct code.

2002 NAICS	2002 NAICS U.S. Description (with link to definition)	Com-parability	1987 SIC	1987 U.S. SIC Description (with link to definition)
531	Real Estate			
5311	Lessors of Real Estate			
53111	Lessors of Residential Buildings and Dwellings			
531110	Lessors of Residential Buildings and Dwellings			
			6513	Operators of Apartment Buildings
			6514	Operators of Dwellings Other Than Apartment Buildings
			6531	Real Estate Agents and Managers (Operating housing authorities)
53112	Lessors of Nonresidential Buildings (except Miniwarehouses)			
531120	Lessors of Nonresidential Buildings (except Miniwarehouses)		6512	Operators of Nonresidential Buildings (Except stadium and arena owners)
53113	Lessors of Miniwarehouses and Self-Storage Units			
531130	Lessors of Miniwarehouses and Self-Storage Units		4225	General Warehousing and Storage (Miniwarehouses and self-storage units)
53119	Lessors of Other Real Estate Property			
531190	Lessors of Other Real Estate Property			
			6515	Operators of Residential Mobile Home Sites
			6517	Lessors of Railroad Property
			6519	Lessors of Real Property, NEC
5312	Offices of Real Estate Agents and Brokers			
53121	Offices of Real Estate Agents and Brokers			
531210	Offices of Real Estate Agents and Brokers		6531	Real Estate Agents and Managers (Agents and brokers)
5313	Activities Related to Real Estate			
53131	Real Estate Property Managers			

Figure 2.7 - Displays the result of the search.

2.3 - Searching by NAICS/SIC Code

If the taxpayer has provided a NAICS or SIC code, a description of each code can be looked up by typing the appropriate NAICS or SIC code in the search engine text box (see Figure 4.1 below). For NAICS codes simply type the 6-digit numerical code and click the “NAICS Search” button. Searching by NAICS code can be useful when the complete code is not known. For example, if it is known that a business has real estate activity and you have the prefix of the code from another source or program then it can be searched for. If given 531 or 531000, enter 531 in the text box and click the search button. To search by SIC code, type “SIC” followed by a space and the 4-digit code. For example, type in SIC #### replacing #### with the given code.

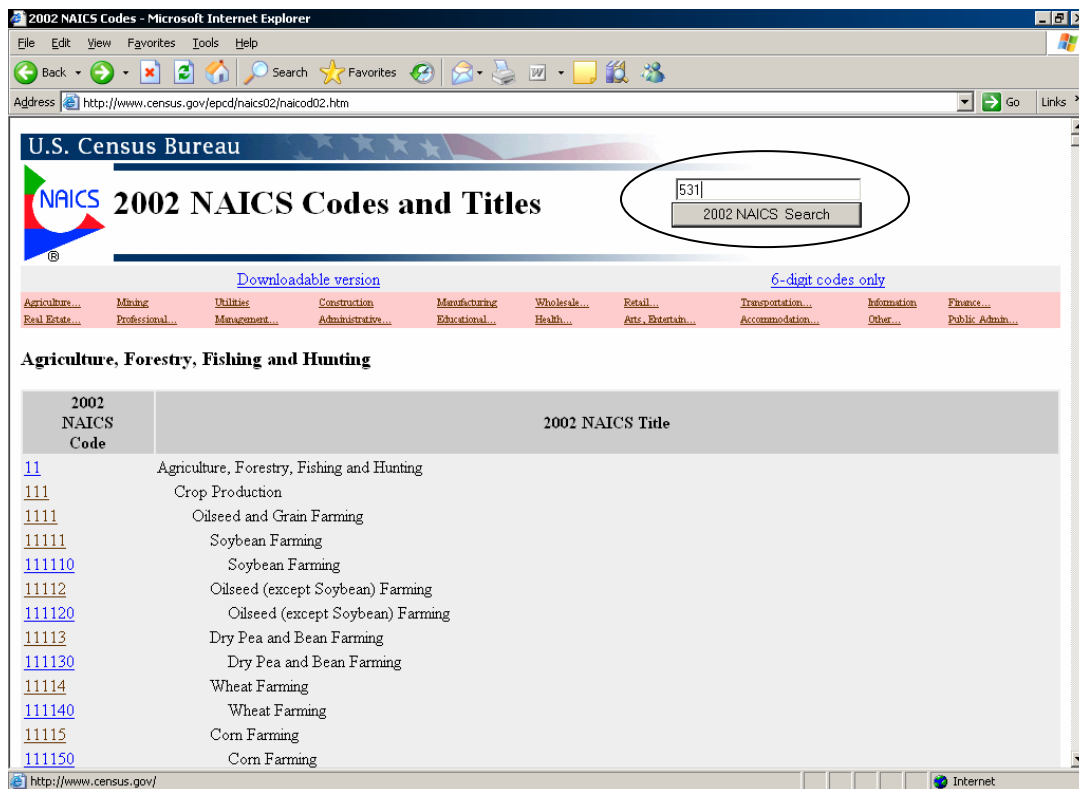


Figure 2.8 - Searching by incomplete NAICS code.

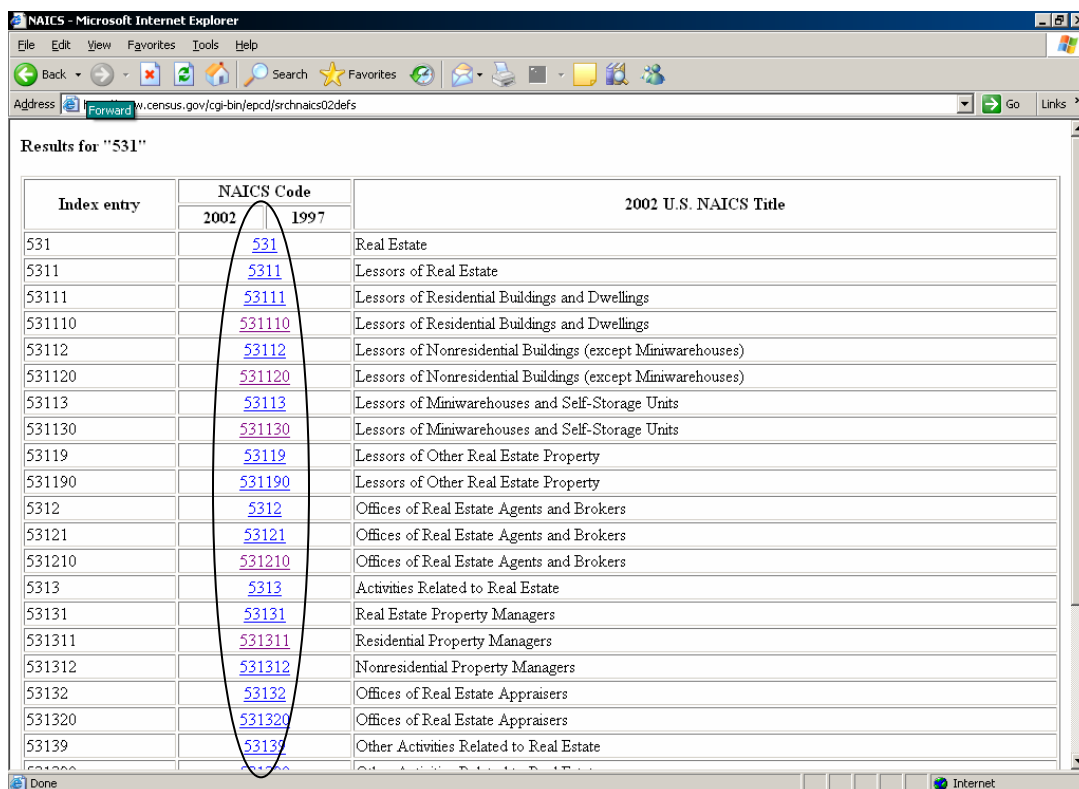


Figure 2.9—Results for an incomplete NAICS code search

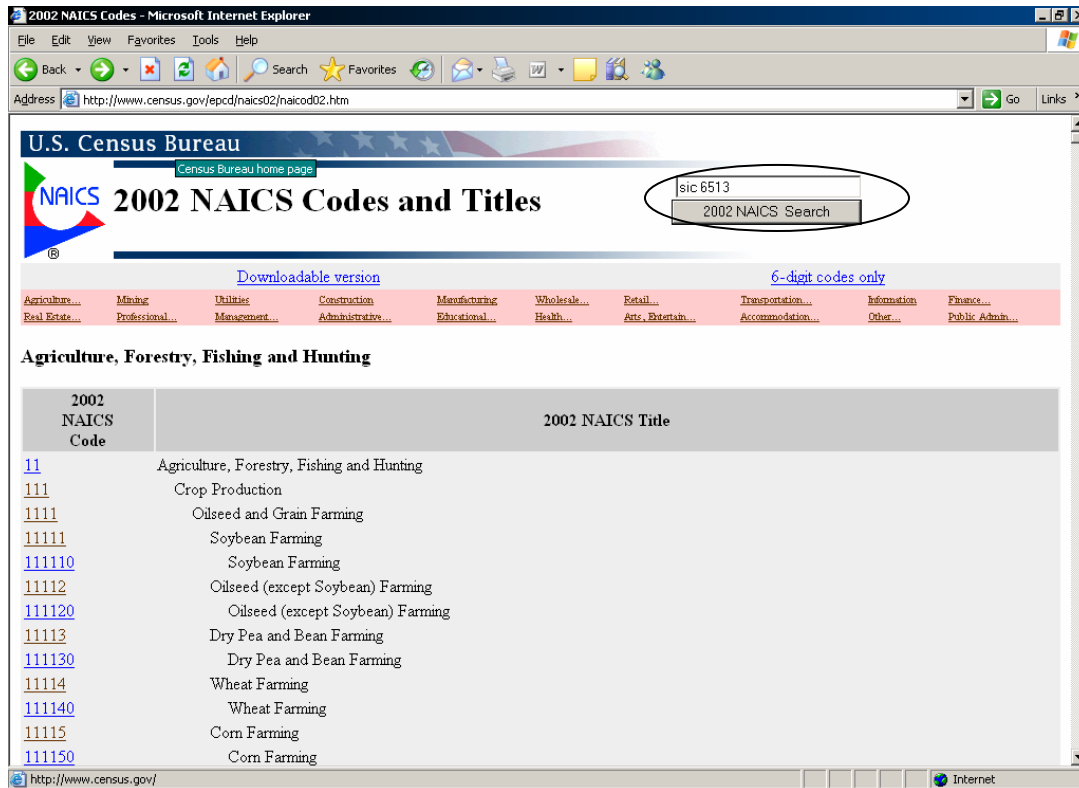


Figure 2.10 - Search using a given SIC code.

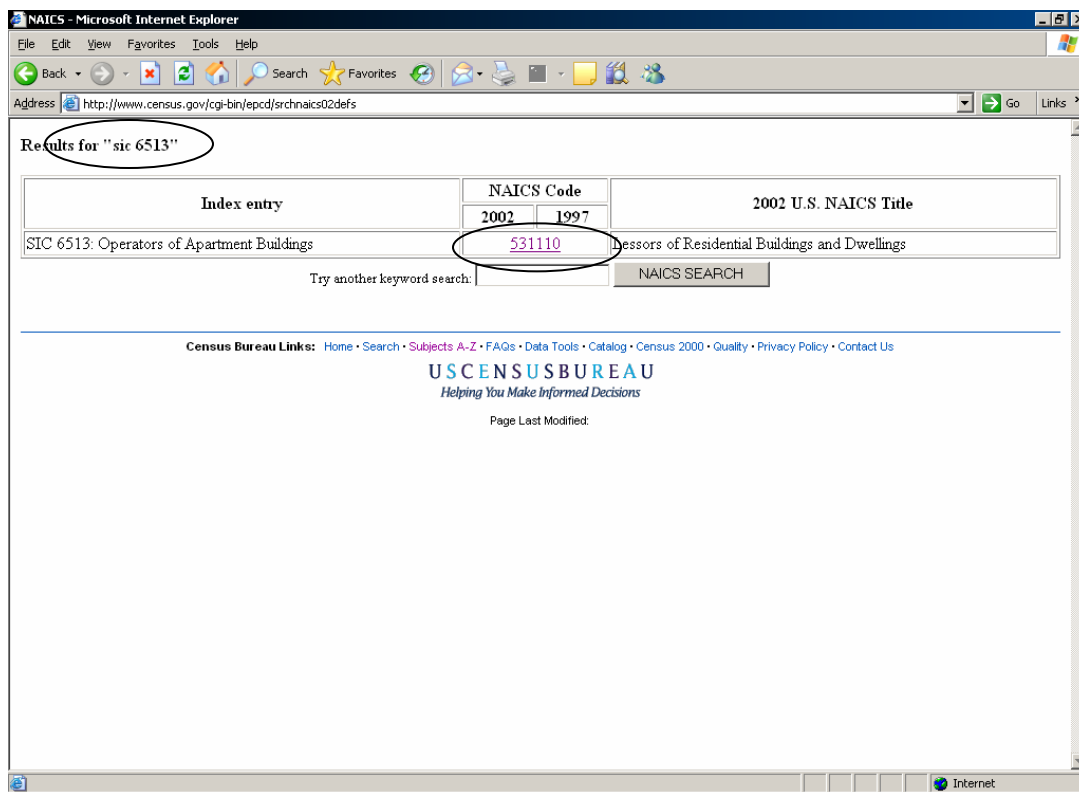


Figure 2.11 - Results for the SIC code display the equivalent NAICS code.

Chapter Three - Using a Dictionary and Thesaurus

On occasion, when using the NAICS search engine, no results are found. When this happens searching for business descriptions with a similar meaning may yield the appropriate results. This is where having a dictionary and thesaurus becomes essential. For instance, if searching for the code of a used clothing store and “used clothing” was the term used in the search, no results are returned.

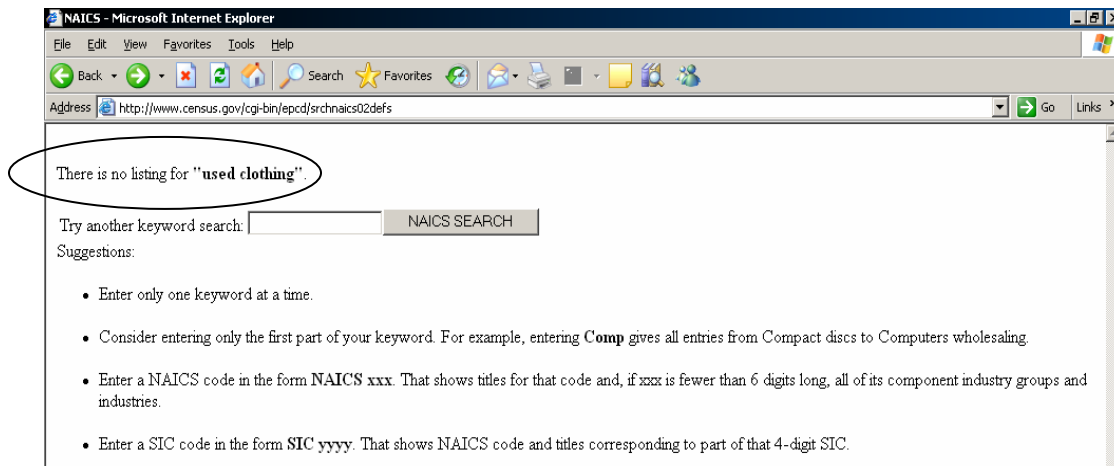


Figure 3.1 - Search results for “used clothing”.

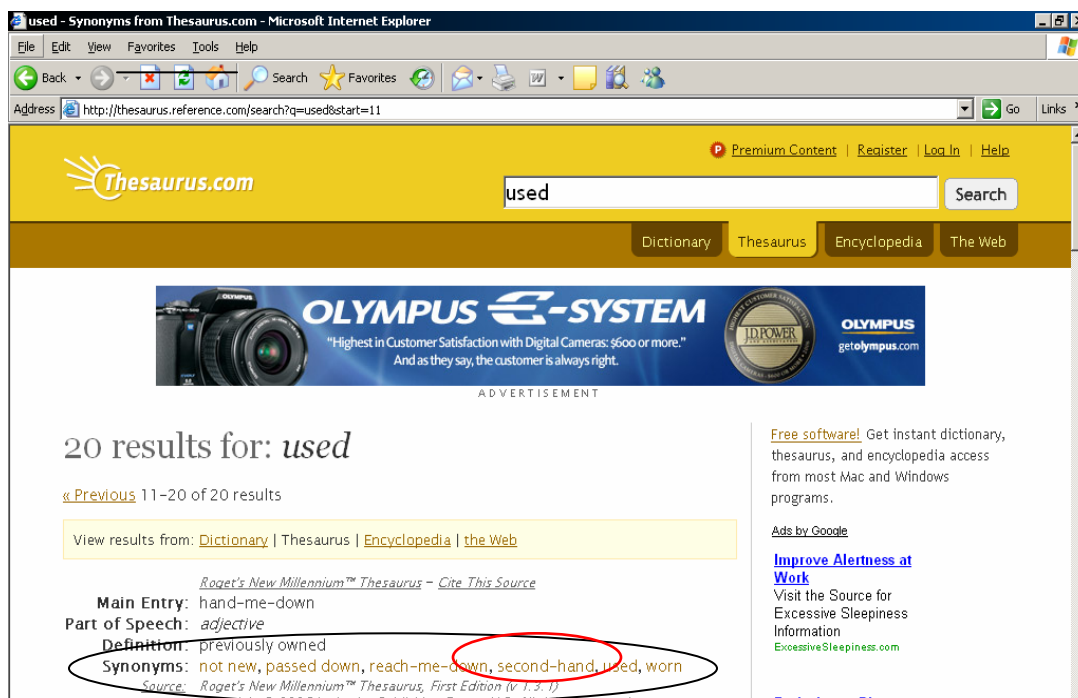


Figure 3.2 - Thesaurus.com search results for “used”.

Using a thesaurus for the word “used” gives way to several different words with the same connotation. If we try the suggestion “second-hand” in our search we get the correct NAICS code.

Results for "second-hand"

Index entry	NAICS Code		2002 U.S. NAICS Title
	2002	1997	
Second-hand merchandise stores	453310		Used Merchandise Stores

Try another keyword search:

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Figure 3.3 - Search results for “second-hand”

Chapter Four - Obtaining a NAICS Code From an Application

Many times taxpayers completing the 10A100 registration application write in the NAICS code for their business. This can be found on the application in section B question 11. However, this code should be verified with the business description in question 10 parts A and B to ensure that it is accurate.

10A100 (6-05)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE
P.O. Box 299, Station 20
Frankfort, KY 40602-0299

Need Help? Call (502) 564-3306 or visit www.revenue.ky.gov

KENTUCKY TAX REGISTRATION APPLICATION

► **Important—Please see instructions for details on completion. Print or type the application using blue or black ink. Incomplete or illegible applications will delay processing or be returned.**

FOR OFFICE USE ONLY	
NAICS	

SECTION A REASON FOR FILING THIS APPLICATION (Must be completed)

1 Effective Date: ____/____/____
☐ Opened new business
☐ Resumption of business
☐ Registering to collect Kentucky use tax
☐ Opened new location of current business (See instructions)
☐ Applying for additional tax accounts
Change in Ownership:
☐ Ownership Type—Previous type _____
☐ Purchase of existing business
☐ Other (specify) _____
☐ Updating Information (See instructions—You do not need to complete the entire application.)

2 Previous Owner's Account Numbers:
 Kentucky Withholding _____
 Kentucky Corporation Income _____
 Kentucky Sales and Use _____
 FEIN _____
☐ Not applicable

3 Your Current Account Numbers:
 Kentucky Withholding _____
 Kentucky Corporation Income _____
 Kentucky Sales and Use _____
 FEIN _____
☐ Not applicable

SECTION B IDENTIFY YOUR BUSINESS OR ORGANIZATION (Must be completed)

4 Legal Business Name _____

5 DBA _____

6 Federal Employer Identification Number (FEIN) -

7 Business Location _____
 Street Address _____
 (Do Not List a P.O.Box) City _____
 State _____ ZIP Code _____

8 County _____ 9 Location Telephone (____) _____ - _____

10 A Give a description of the nature of your primary Kentucky business activity. Include a description of any services provided. _____

B Give a description of the nature of your primary business activity outside Kentucky. Include a description of any services provided. _____

11 NAICS Code: (optional)

12 If you make sales, list products sold: _____

13 Accounting Period: ☐ Calendar Year 12/31 ☐ Fiscal Year: ____/____

14 Ownership Type:
☐ Sole Proprietor
☐ Corporation
☐ S Corporation
☐ Government
☐ Association
☐ Joint Venture
☐ Trust
☐ Nonprofit
☐ Real Estate Investment Trust
☐ Other: (See instructions) _____
Partnership:
☐ General Partnership
☐ Limited Partnership
☐ Limited Liability Partnership (LLP or LLLP)

Limited Liability Company (LLC)
For Federal Purposes Taxed As:
☐ Single Member—Individual
☐ Partnership
☐ Corporation
☐ S Corporation
☐ Single Member—Disregarded Entity,
 Member taxed as: _____

OWNERSHIP DISCLOSURE—RESPONSIBLE PARTIES (Must be completed)

	Name (Last, First, MI)	Title	Residential Address, City, State, ZIP Code	Soc. Sec. No. (Required)
15				
16				
17				
18				

IMPORTANT: APPLICATION MUST BE SIGNED BELOW The statements contained in this application and any accompanying schedules are hereby certified to be correct to the best knowledge and belief of the undersigned who is duly authorized to sign this application.

Signed _____ Signed _____
 Title _____ Date ____/____/____ Title _____ Date ____/____/____

Figure 6.1 - Form 10A100

Chapter Five – Updating NAICS Codes on CRIS

Once the proper NAICS code has been found the code is input into a record in the CRIS database. There are two ways that a NAICS code will be keyed into the database, when adding a new account or updating an existing one.

5.1 - Adding a New Account (Taxpayer Registration and Field Operations Only)

When adding a new account, go to the CRIS Master Menu as depicted below. Select the “Responsible Party” option by placing an “X” on that field and press “Enter”. This will take you to the “Application Input – Responsible Party” Screen.

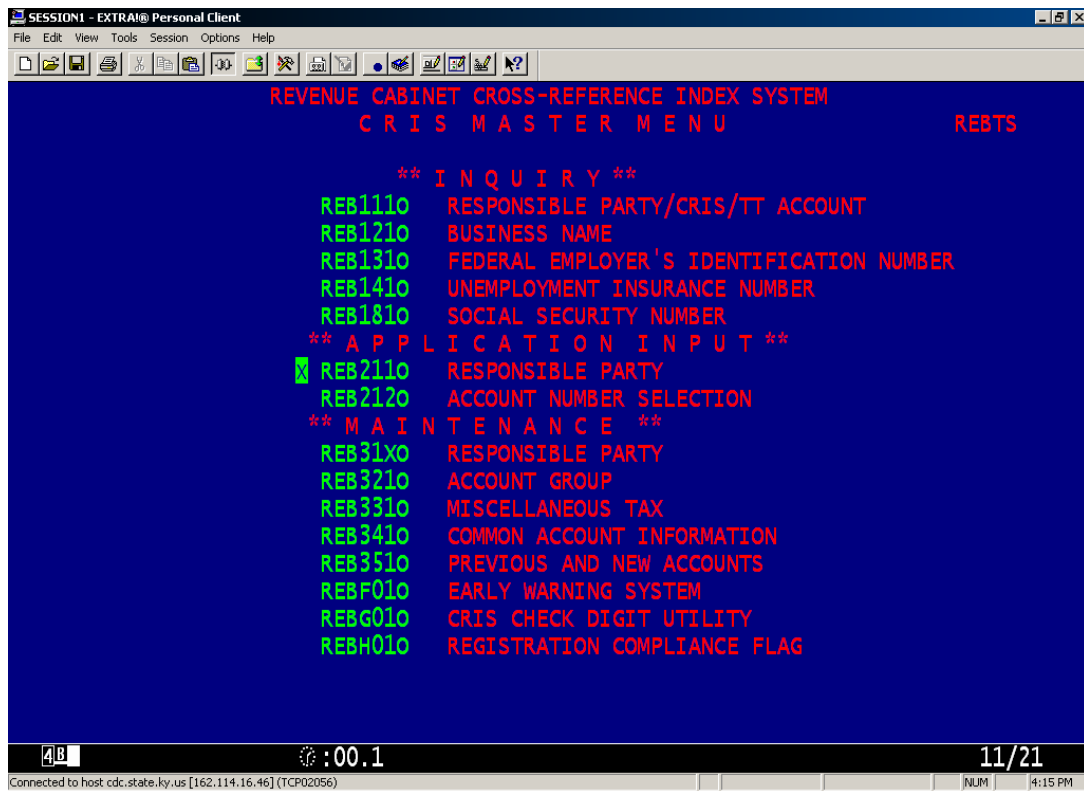


Figure 5.1 - The CRIS database Master Menu.

At the Application Input – Responsible Party screen all useful information about the responsible party is entered, including the type ownership, the party’s name, address, title code, SSN and start date. After all the correct information has been entered, press “Enter”.

SESSION1 - EXTRA! Personal Client

File Edit View Tools Session Options Help

REVENUE CABINET CROSS-REFERENCE INDEX SYSTEM REB2110

APPLICATION INPUT - RESPONSIBLE PARTY

TYPE OWNERSHIP

#	RESP PARTY	ADDRESS	CITY	ST	PHONE NO	#	TITLE CODE	SSN	START DATE
1	RESP PARTY 1								
2	RESP PARTY 2								
3	RESP PARTY 3								
4	RESP PARTY 4								

MORE THAN FOUR PARTNERS (Y OR N)

4B :00.1 03/21

Connected to host: cdc.state.ky.us [162.114.16.46] (TCP02056)

NUM 4:17 PM

Figure 5.2 - The Responsible Party input screen.

This brings you to the “Account Number Selection” screen. It is here that the NAICS and SIC codes are entered. Input the business name, the type of tax accounts needed, the 6-digit NAICS code, 4-digit federal and state sic code and the accounting period (Federal and state SIC codes are the same). This brings you to the type tax account input screens. Input all the needed information for each appropriate type tax, then press “Enter”. The appropriate account numbers have been created and will show up as records in the CRIS database by the next business day.

Figure 5.3 – Application Input - Account Number Selection Screen.

5.2 - Adding New Account Numbers to an Existing CRIS Account (Taxpayer Registration and Field Operations only)

Adding new account numbers to an existing record in the CRIS database is a common occurrence that is very similar to adding a new CRIS account. From the “CRIS Master Menu”, as illustrated in Figure 5.1, select the “Account Number Selection” option from the “Application Input” sub menu and press “Enter”. This brings you to the Application Input – Account Number Selection screen (see Figure 5.3). Enter all the appropriate information as described in the section for “Adding a New Account”.

5.3 - Updating a NAICS Code in an Existing Account Number

To update an existing account number in the CRIS database return to the “CRIS Master Menu” and select the “Common Account Information” option from the “Maintenance Sub menu, on the “CRIS Master Menu”. This brings you to the “Common Account Information Maintenance” screen. Tab to the top field of the screen and type the CRIS number (and check digit), type tax and type tax account number (no check digit required) and press “Enter”. Tab down to the SIC and NAICS code fields and replace existing codes with the new ones, then press “Enter”. This is done for each account number. The updated codes for that account will show up in the CRIS system the next business day.

SESSION1 - EXTRA@ Personal Client

File Edit View Tools Session Options Help

REVENUE CABINET CROSS-REFERENCE INDEX SYSTEM REB3410
COMMON ACCOUNT INFORMATION MAINTENANCE

CROSS INDEX NO.
TT ACCOUNT NO.

***** CURRENT ***** NEW *****

BUSINESS NAME BUS NAME

FEIN STATE SIC CODE NAICS CODE U.I. NUMBER SST NUMBER SST MODEL SST REGIST
FEIN STATE SIC CODE NAICS CODE U.I. NUMBER SST NUMBER SST MODEL SST REGIST

PRESS 'PF11' FOR INQUIRY SCREEN OR ENTER A MAINTENANCE SELECTION BELOW
MAINTENANCE OPTION A=RESPONSIBLE PARTY B=ACCT GROUP C=PREV AND NEW ACCTS
D=MISCELLANEOUS TAX E=COMMON ACCTS

4B :00.1 09/51

Connected to host: cdc.state.ky.us [162.114.16.46] (TCP03868) NUM 11:43 AM

Figure 5.4 - Common Account Information Maintenance input screen.

Chapter Six – Glossary of Terms

Accounting Period – The 12-month period a taxpayer uses to determine their income tax, either a calendar or fiscal year.

Correspondence Table – A table that pairs each of the 20 industry sections with a unique identification number.

CRIS (Cross Reference Index System) – A database used to store registration information of businesses in Kentucky.

Database – A collection of information that is organized so that it can easily be accessed, managed, and updated.

FEIN (Federal Employer Identification Number) – A unique identification number given to a business that is registered with the IRS.

Field – A single piece of information stored in a record of a database.

Input Screen – Data entry screen in CRIS that allows user to input data into a database.

NAICS (North American Industry Classification System) Code – A system used to classify various business industries.

Responsibility Party – A responsible party is a person or organization who is wholly or in part responsible for a business.

Record – A group of related fields that store data about a subject or activity.

Search Engine – A software program that searches a database and gathers and reports information that contains or is related to specified terms.

SIC (Standard Industrial Classification) Code – The coding scheme used to classify business industries before NAICS was developed.

Start Date – Date that a person or company became responsible for a business.

Text Box – A data structure that holds alpha-numeric data, such as name and address, used to input and output text.

Title Code – Coding scheme used to identify responsibility party's business title, such as, president and vice president.

Type Ownership – The organizational structure of a business, such as; a corporation or a sole proprietor.

Type Tax – The different taxes in which a business is responsible for paying, such as; corporation income tax, withholding tax, and sales and use tax.